

# ATLAS OF VULNERABILITY: DEVELOPING COUNTRIES AND THE PANDEMIC

## HONDURAS

As part of the Mesoamerican corridor, Honduras has experienced an increase in its security and defense budget in recent years, to the detriment of investments in education and health, as shown by Fosdeh<sup>1</sup>. Major investment in logistics infrastructure projects, hotel complexes, energy megaprojects and mining and hydrocarbon exploitation has been promoted within the framework of so-called Employment and Economic Development Zones (ZEDE, by their acronym in Spanish), an administrative division plan applied by some cities in order to facilitate their privatization.

Before the pandemic, the levels of poverty and extreme poverty in Honduras were 59,3% and 36,7%, respectively. Trade liberalization measures adopted in recent decades contributed to these levels of poverty, accompanied by a reduction in taxes on imports and mining, which meant an increase in consumption taxes. The loss of production and employment generation capacity, together with the country's political instability, derived in weak state action capacity in the face of the pandemic. In addition, the two hurricanes that hit the country in 2020, Eta and Iota, left four million victims.

<sup>1</sup> <https://fosdeh.com/wp-content/uploads/2021/05/fosdeh-2021-aventura-ZEDES.pdf>

## Pandemic and climate vulnerability: Hurricanes Eta and Iota

The 2020 Atlantic hurricane season was the most active in history, affecting mainly Central American countries, which are highly vulnerable to the effects of climate change. One of them is Honduras, a country where, between 1970 and 2019, natural threats generated 67 disasters of hydro-meteorological or climate-related causes.

In November 2020, the high climate change vulnerability of Honduras was evident when tropical storm Eta and Hurricane Iota hit the country for two consecutive weeks, yielding a very complex scenario with serious human, social and economic consequences that had been already generated by the COVID-19 pandemic.

The two storms left 95 dead and approximately 437 thousand people affected. The total costs of both events were estimated at around L. 52,099 million (USD 2,154 million) in damages, losses and additional costs. The productive sector was the most affected (68%), followed by the social (18%) and the infrastructure (10%) sectors.

For 2020, a 7.4% drop in Honduras GDP was expected due to the pandemic. However, the drop reached 8.2% of GDP due to the effects of Eta and Iota.

Source: IDB and ECLAC (2021), Assessment of the impact of tropical storm Eta and tsunami Iota in Honduras<sup>2</sup>

The country's needs, with an unequal tax system and low investment capacity in productive activities, have been addressed with an increase in debt. In 1998, after Hurricane Mitch hit, public debt represented 57.8% of GDP, which is why austerity fiscal policies have been applied in recent decades.

Despite the approval of debt relief programs for Heavily Indebted Poor Countries (HIPC), which allowed the cancellation of USD 4,452 million when the balance represented 92% of GDP, the total stock of public debt remains at very high levels. In 2020, it reached 58.9% of GDP once again.

However, this time the country has resorted to internal debt through the issuance of treasury bonds, representing 42.7% of the total debt. To offset the increasing indebtedness, the State has adopted fiscal austerity measures, with a rate of reduction of public spending of 3% per year on average over the last decade. This contraction in public spending did not translate into macroeconomic stability, since the debt service-to-exports ratio has increased by 6% on average per year between 2010 and 2019, which means a lower capacity for the country to finance its external needs and an increasing effort to meet the debt service. As a consequence, Honduras is the country with the lowest social security coverage (3.2%) in the region and is the country with the highest percentage of women without own income (43.5%). It is also one of the countries with the lowest per capita public spending on health, with 70.2 USD per inhabitant per year (average of the last 5 years).

A new debt relief process and the fiscal use of resources such as the SDR are urgent measures so that Honduras can effectively meet the social needs of its population, derived from the pandemic and climate change.

<sup>2</sup> [https://www.cepal.org/sites/default/files/publication/files/46853/S2100044\\_es.pdf](https://www.cepal.org/sites/default/files/publication/files/46853/S2100044_es.pdf)

Indicator	Honduras	Latin America <sup>1/</sup>	Compares with <sup>2/</sup>
Coverage of social security programs (%)	3,2	16,5	45,7 (Chile)
Proportion of family agriculture (%)	97,2	81,0 (ALC)	--
Proportion of women without own income (%)	43,5	25,9	13,2 (Uruguay)
Public spending on health per capita (current US\$) - last five years average	70,2	360,7 (ALC)	3.271,3 (high-income countries)
Variation of internal renewable freshwater resources per capita over last decade (%)	-17,2	-10,2 (ALC)	-0,78 (Cuba)

1/ Reported values at the regional level for LAC. Social security coverage and women without own income present simple average and weighted average, respectively, for the Latin American countries reported.

2/ Values report the best positioned country in the region. Public spending on health reported on an aggregate basis.

Source: Latindadd and Jubilee USA (2021)

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